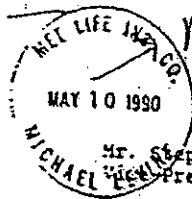


## **EXHIBIT Q**

MP401003879



Mr. Stephen White  
President and Actuary

A RALLS

STEPHEN E. WHITE

MAY 8 1990

VICE-PRESIDENT AND ACTUARY

Re 1991 Dividend Recommendations

We anticipate providing preliminary 1991 dividend recommendations at the July meeting of the Board of Directors. In preparing these recommendations we must address some questions raised at the February meeting of the Executive and Dividend Policy Committee concerning the levels contributed to surplus by old and new business.

1. Are dividends adequate for the Industrial line of business?

Table 1 presents the statutory contribution to surplus from the Industrial line for the 1987-1989 period. Table 2 exhibits the ratio of dividends incurred to GAAP earnings for the same period. The statutory contribution to surplus, as detailed in the material presented to the Board, has been approximately \$90 in each year. The ratio of dividends to GAAP gains has decreased over the period from 56% in 1987 to 42% in 1989.

In comparison, a review of the Ordinary Traditional line of business reveals the opposite. The statutory contribution to surplus has decreased over the 1987-1989 period and the ratio of dividends incurred to GAAP gain has increased from 82% to 89%.

During the 1980's the Industrial policyholders have benefited from several liberalization programs. The most recent of these programs, effective at the end of 1986, was a benefit liberalization resulting in a 15% increase in face amount for most policies. This action required a \$186 million withdrawal from surplus. No changes have been made to the dividend scales since this liberalization.

Even though a good portion of the earnings is gain on surplus or gain from non-participating policies, is it appropriate to consider a scale increase for this block of business? If not, we must be able to demonstrate that the level of retained earnings and the overall surplus are equitable and in line with the statement on "Basic Principles and Current Practices" for dividends and surplus as adopted by the Board of Directors.



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A. RALLIS

2. Is the 1990 dividend scale for the Ordinary Traditional policies supportable?

During the past several years most of our major competitors have lowered the dividend scales for individual life products. Metropolitan has strengthened its competitive position by not following suit.

However, as the attached tables demonstrate, the percentage of earnings released in the form of dividends has increased significantly over the 1987-1989 period. In particular, as detailed in Table 1, the statutory gain after apportioned dividends and before taxes on U.S. and Canadian Ordinary and Traditional business has dropped from \$96 million in 1987 to \$12 million in 1989. For U.S. Ordinary Traditional, the statutory gain after apportioned dividends and before taxes was \$-42 million in 1989. On a GAAP basis the gain after incurred dividends and before taxes was \$1.1 million, down from \$247 million in 1987.

Another issue to be considered is the impact of continuing to "peg" dividends for 1982 & later policies on a present value basis the 1990 and 1989 dividend scales for this block of business were equivalent. However, the cost of continuing the 1989 scale for this block was \$17 million. Is it appropriate to have older business continue to support new business over the short term?

In light of these emerging trends, it is important to consider now what dividend scale modifications should be made for 1991. I would like to schedule a meeting in early June to discuss these issues.

Susan H. Maier  
Actuary  
May 7, 1990

cc: Levene, Maier

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A. RALLIS

TABLE 1  
SOURCES OF CONTRIBUTION TO SURPLUS  
TABLE A - BOARD RESOLUTION  
U.S. & CANADA  
(\$ MILLIONS)

## ORDINARY LIFE - STATUTORY

	1987	1988	1989
ORDINARY TRADITIONAL			
GAIN BEFORE DIVIDENDS & FIT	1,250	1,274	1,274
DIVIDENDS AFFORTIONED	1,154	1,207	1,214
GAIN AFTER DIVIDENDS & BEFORE FIT	96	67	60
ORDINARY NON-PARTICIPATING			
GAIN BEFORE FIT	-2	-84	-130
FIT	-123	-117	-124
SURPLUS ADJUSTMENTS			
REALIZED/UNREALIZED CAP. GAINS	-114	177	147
NS/R SALREVR	136	-106	-68
NON-ADMITTED ASSETS	-46	-23	-14
TOTAL	-4	48	67
CONTRIBUTION TO SURPLUS	182	148	9

## INDUSTRIAL LIFE - STATUTORY

	1987	1988	1989
INDUSTRIAL TRADITIONAL			
GAIN BEFORE DIVIDENDS & FIT	138	166	165
DIVIDENDS AFFORTIONED	84	94	77
GAIN AFTER DIVIDENDS & BEFORE FIT	72	82	86
FIT	-5	2	0
SURPLUS ADJUSTMENTS			
REALIZED/UNREALIZED CAP. GAINS	-10	34	3
NS/R SALREVR	29	-21	-14
NON-ADMITTED ASSETS	0	0	1
TOTAL	10	13	1
CONTRIBUTION TO SURPLUS	87	95	87

Notice: Production and Use Subject to Case Management and Protective  
Orders in MDL No. 1071, United States Dist. Ct.

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TABLE 2  
U. S. PERSONAL INSURANCE  
GAAP GAIN AND DIVIDENDS  
(IN MILLIONS)

	GAAP GAIN BEFORE DIVIDENDS	DIVIDENDS INCURRED	GAAP GAIN AFTER DIVIDENDS	PERCENT OF DIVIDENDS TO GAAP GAIN
U.S. ORDINARY TRADITIONAL				
1987	1,353	1,166	187	13.8%
1988	1,320	1,132	188	14.3%
1989	1,306	1,162	144	11.0%

## U.S. INDUSTRIAL

1987	150	84	66	44.0%
1988	66	84	18	27.3%
1989	173	82	91	52.6%

"Vendor, Predecessor and User Subject to Case Management and Protective  
Orders in MDL No. 1091, Universal Sheet Prod. CL"

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TABLE 3  
ANALYSIS OF GAIN AND DIVIDENDS  
ORDINARY LIFE  
IN MILLIONS

YEAR 1991	TOTAL COMPANY	CANADA	US	US TRADITIONAL	US UNTRADITIONAL
GAIN BEFORE FIT			139	141	18
STANDARD ADJUSTMENTS					
EXPENSE STRAIGHTENING			-140	-47	-13
RESERVE STRAIGHTENING			-47	-11	-11
SHORT-TERM CAPITAL GAINS			-216	-216	0
SUBSIDIARY DIVIDENDS			20	23	-3
TOTAL			-373	-249	-109
STAT GAIN BEFORE FIT					
LESS REAC, REL			-219	-128	-91
			72		72
STAT GAIN BEFORE FIT - RETLIFE					
DIVIDENDS INCURRED			-27	-128	-163
GAIN BEFORE DIVIDENDS & FIT	1,341	139	1,377	1,227	0
DIVIDENDS AFFORTMENT	1,341	101	1,111	1,101	-147
GAIN AFTER DIVIDENDS & BEFORE FIT	-176	29	-203	1,183	0
FIT			-123	-42	-163
SURPLUS ADJUSTMENTS					
REALIZED/UNREALIZED CAP. GAINS	143		140		
NSVR & ALIENVR	-48		-43		
NON-ADMITTED ASSETS	-14		-11		
TOTAL	67		44		
CONTRIBUTION TO SURPLUS					
STAT & BOARD RESOLUTION		20	-10		

Notwithstanding to Use Subject to Case Management and Protective  
Orders of MDL No. 1091. United States Dist. Ct.

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